

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 NEA-10 IO-13 L-03 H-03 PRS-01

PA-03 CEA-02 AID-20 EB-11 NSC-10 RSC-01 CIEP-02 SS-15

STR-08 OMB-01 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01 /154 W

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P 310136Z AUG 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7688I

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USADB

TREASURY FOR FINKEL AND REX BEACH

E O 11652: ADS, DECLAS 12/31/73

TAGS: EAID, EFIN

SUBJ: ADB PROFESSIONAL STAFF SALARY PROPOSAL

REF: TRSY P 272331Z AUG 73

SUMMARY: BOARD OF DIRECTORS APPROVED PROFESSIONAL STAFF SALARY INCREASE AVERAGING 11.03 PERCENT. U.S., INDIA, NEW ZEALAND AND CANADA ABSTAINED IN DECISION. BOARD ALSO APPROVED INCREASES IN NON-PROFESSIONAL STAFF DEPENDENCY ALLOWANCES AND PROFESSIONAL STAFF EDUCATIONAL BENEFITS.

1. UPON RECEIPT REFTEL, U.S. ALT. DIRECTOR DISTRIBUTED MEMORANDUM TO PRESIDENT AND BOARD OF DIRECTORS SETTING FORTH U.S. POSITION AND RECOMMENDATIONS RE PROPOSED PROFESSIONAL STAFF SALARY INCREASE.

2. ON AUG 30, BOARD OF DIRECTORS MET IN EXECUTIVE SESSION FOR ENTIRE DAY TO DELIBERATE ON MATTER. GERMAN, AUSTRALIAN AND ITALIAN

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DIRECTORS AND FINNISH ALTERNATE DIRECTOR ALL SUPPORTED AVERAGE

INCREASE OF 12 TO 12 1/2 PERCENT. ALL OF THESE, EXCEPT AUSTRALIAN, FAVORED GRADUATED SCALE BUT FELT THAT TAPERING WAS TOO EXCESSIVE AT LOWER END OF SCALE AND PERCENTAGE INCREASE AT UPPER END NOT ENOUGH. JAPANESE DIRECTOR SUPPORTED 11 PERCENT BANK PROPOSAL, BUT DESIRED PERCENTAGE INCREASE AT TWO TOP BRACKETS FROM 5 TO 6 PERCENT AND 7 TO 8 PERCENT, RESPECTIVELY. FINNISH ALTERNATE, SPEAKING ON BEHALF OF CANADA, INDICATED HE WAS INSTRUCTED TO RECOMMEND 5 PERCENT INTERIM SALARY INCREASE AND DEFER FURTHER ACTION UNTIL MANAGEMENT HAS CONDUCTED COMPREHENSIVE SALARY STUDY.

3. U. S. ALTERNATE DIRECTOR REITERATED SUBSTANCE OF U.S. POSITION, NAMELY, CHANGE OF COST-OF-LIVING INDEX DID NOT JUSTIFY EXTENT OF PROPOSED INCREASES AT LOWER TO MIDDLE BRACKETS AND THAT STATISTICS ON TURNOVER RATES, ATTRACTION RATIOS AND ACCEPTANCE LEVEL WOULD NOT SUPPORT MANAGEMENT PROPOSAL. DREW ATTENTION OF BOARD TO TABLE (PER REFTEL) SHOWING CUMULATIVE DISTRIBUTION OF PROFESSIONAL STAFF IN PERCENT BY SALARY RANGE. ALSO OFFERED SUGGESTIONS REGARDING STEPS NEEDED TO ESTABLISH SYSTEMATIC SALARY REVIEW OF PROFESSIONAL STAFF (E.G., NEED TO CONSTRUCT ADB'S OWN COST-OF-LIVING INDICES, ANALYSIS AND PRESENTATION OF TURNOVER RATES, ATTRACTION RATIOS AND ACCEPTANCE LEVEL OF JOBS OFFERED, ETC.).

4. INDIAN DIRECTOR FELT TIMING NOT APPROPRIATE AND DESIRED TO DELAY ANY ACTION UNTIL PROPOSED SALARY COMMITTEE APPOINTED TO CONSIDER SALARIES OF DIRECTORS/ALTERNATES. ONLY NEW ZEALAND ALTERNATE EXPRESSED SUPPORT FOR U.S. POSITION, INDICATING FEAR FOR ESCALATION EFFECT UPON OTHER IFI'S. OTHER DIRECTORS REPRESENTING LDC'S AGREED TO 11 PERCENT AVERAGE INCREASE.

5. IN FINAL GO-AROUND, EUROPEAN AND AUSTRALIAN DIRECTORS AGREED TO SCALE DOWN THEIR POSITION FROM 12 PERCENT TO 11 PERCENT. PRESIDENT INOUE WAS ABLE TO REACH A MAJORITY CONSENSUS OF 11.03 PERCENT WITH FOLLOWING GRADUATED SCALE:

RANGE	0/0 INCREASE
\$27,001 AND OVER	8.0
25,001-27,000	9.0
23,001-25,000	10.0
21,001-23,000	10.5
19,001-21,000	11.0

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QUNPPQAQONPPP	QQMT
QTNPPQAQUNPPP	QWMP
QENPPQAQTNPPP	QWMT
QENPPP AND BELOW	13.0

6. U.S. ALTERNATE DIRECTOR INDICATED DURING EARLY PART OF SESSION THAT UNITED STATES NOT PREPARED TO SUPPORT AMOUNT OF INCREASE BEING DISCUSSED, AND THAT INSTRUCTIONS ON MAGNITUDE OF SUPPORT-

ABLE INCREASE WAS VERY EXPLICIT. PRESIDENT AS WELL AS MAJORITY OF DIRECTORS PREFERRED TAKING DEFINITE ACTION AT THIS TIME RATHER THAN DELAYING ACTION ANY FURTHER. SECRETARY WAS REQUESTED TO RECORD IN HIS UNOFFICIAL SUMMARY OF PROCEEDINGS OF EXECUTIVE SESSION THAT UNITED STATES ABSTAINED IN DECISION. INDIA AND NEW ZEALAND MADE SIMILAR REQUESTS. OFFICIAL MINUTES OF MEETING EXPECTED TO INDICATE ACTION TAKEN IN EXECUTIVE SESSION. WILL REQUEST THAT OFFICIAL MINUTES ALSO REFLECT U.S. ABSTENTION.

7. BOARD THEN APPROVED INCREASES IN NON-PROFESSIONAL DEPENDENCY ALLOWANCES AND EDUCATIONAL GRANTS FOR PROFESSIONAL STAFF AS PROPOSED IN ADB DOC EX/R3-73.

8. BOARD OF DIRECTORS TO CONVENE IN GENERAL SESSION 10 AM FRIDAY, AUG31, TO CONSIDER EXCHANGE RATES TO BE APPLIED IN EVALUATION OF BIDS (ADB DOC R-57-73). TIME PERMITTING, ANOTHER EXECUTIVE SESSION EXPECTED TO CONSIDER PROPOSED SALARY INCREASES OF DIRECTORS/ALTERNATES AND PRESIDENT.  
PURNELL

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